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Rosedale Hotel Holdings Limited **珀麗酒店控股有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

INTERIM RESULTS **FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board of directors (the “Board”) of Rosedale Hotel Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2014 together with comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2014

		Six months ended	
		30.6.2014	30.6.2013
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	184,659	214,581
Direct operating costs		(131,229)	(156,894)
Gross profit		53,430	57,687
Other income, gains and losses		12,624	(18,475)
Distribution and selling expenses		(1,132)	(2,076)
Administrative expenses		(88,415)	(122,089)
Fair value change on investments held for trading		(167)	(472)
Finance costs		(7,428)	(16,263)
Gain (loss) on disposal of a subsidiary	6	459,286	(15,405)
Impairment loss recognised in respect of property, plant and equipment	9	–	(50,407)
Share of result of an associate		(2,463)	–
Share of result of a joint venture		954	(1,033)
(Decrease) increase in fair value of investment properties	10	(15,707)	449

		Six months ended	
		30.6.2014	30.6.2013
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit (loss) before taxation	4	410,982	(168,084)
Income tax (expense) credit	5	(1,885)	1,985
Profit (loss) for the period		409,097	(166,099)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of financial statements of foreign operations		(17,854)	9,962
Share of exchange difference of an associate		(3,652)	–
Reclassification of translation reserve to profit or loss upon deregistration of subsidiaries		(1,370)	–
		(22,876)	9,962
Total comprehensive income (expense) for the period		386,221	(156,137)
Profit (loss) for the period attributable to:			
Owners of the Company		413,080	(161,647)
Non-controlling interests		(3,983)	(4,452)
		409,097	(166,099)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		393,069	(153,509)
Non-controlling interests		(6,848)	(2,628)
		386,221	(156,137)
EARNINGS (LOSS) PER SHARE			
– Basic (HK\$)	8	0.63	(0.25)
– Diluted (HK\$)		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		At 30.6.2014 <i>HK\$'000</i> (unaudited)	At 31.12.2013 <i>HK\$'000</i> (audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	9	536,480	576,679
Investment properties	10	279,000	299,000
Interest in a joint venture	11	193,725	–
Interest in an associate	12	263,512	269,627
Amount due from a joint venture		299,078	–
Available-for-sale investments		31,638	31,638
Club debentures, at cost less impairment		520	520
Other asset		16,000	–
		<u>1,619,953</u>	<u>1,177,464</u>
Current assets			
Inventories		3,315	3,489
Trade and other receivables	13	794,688	815,120
Investments held for trading		368	535
Pledged bank deposits		–	306,079
Bank balances and cash		665,883	427,273
		<u>1,464,254</u>	<u>1,552,496</u>
Assets classified as held for sale	14	–	837,306
		<u>1,464,254</u>	<u>2,389,802</u>
Current liabilities			
Trade and other payables	15	74,518	98,962
Tax liabilities		77,452	77,454
Borrowings – amount due within one year	16	10,000	216,000
Amount due to a non-controlling shareholder of a subsidiary		9,271	9,509
		<u>171,241</u>	<u>401,925</u>
Liabilities associated with assets classified as held for sale	14	–	635,944
		<u>171,241</u>	<u>1,037,869</u>

		At 30.6.2014 <i>HK\$'000</i> (unaudited)	At 31.12.2013 <i>HK\$'000</i> (audited)
	<i>NOTE</i>		
Net current assets		<u>1,293,013</u>	<u>1,351,933</u>
Total assets less current liabilities		<u>2,912,966</u>	<u>2,529,397</u>
Non-current liabilities			
Borrowings – amount due after one year	16	250,000	250,000
Deferred taxation		<u>58,152</u>	<u>60,804</u>
		<u>308,152</u>	<u>310,804</u>
Net assets		<u><u>2,604,814</u></u>	<u><u>2,218,593</u></u>
Capital and reserves			
Share capital		6,577	6,577
Reserves		<u>2,362,646</u>	<u>1,969,577</u>
Equity attributable to owners of the Company		2,369,223	1,976,154
Non-controlling interests		<u>235,591</u>	<u>242,439</u>
Total equity		<u><u>2,604,814</u></u>	<u><u>2,218,593</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and investments held for trading which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities;
Amendments to HKAS 32	Offsetting financial assets and financial liabilities;
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets;
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting; and
HK(IFRIC) – Int 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment information reported internally was analysed on the basis of the types of services provided and activities carried out by the Group's operating divisions. The Group is currently organised into two operating divisions – hotel operations and securities trading. The information reported to the Group's chief operating decision maker (the "CODM") (i.e. Executive Directors) for the purposes of resource allocation and assessment of performance is focused on these operating divisions. However, limited securities trading activities are noted for both periods.

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

For the six months ended 30 June 2014 (unaudited)

	Hotel operations HK\$'000	Securities trading HK\$'000	Consolidated HK\$'000
Segment turnover			
External sales	<u>184,659</u>	<u>–</u>	<u>184,659</u>
Results			
Segment results	<u>(8,878)</u>	<u>(172)</u>	(9,050)
Interest income			4,802
Finance costs			(7,428)
Gain on disposal of a subsidiary			459,286
Share of result of an associate			(2,463)
Share of result of a joint venture			954
Other unallocated income			6,067
Central administrative costs and other unallocated expenses			(25,479)
Decrease in fair value of investment properties			<u>(15,707)</u>
Profit before taxation			<u>410,982</u>

For the six months ended 30 June 2013 (unaudited)

	Hotel operations <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment turnover			
External sales	<u>214,581</u>	<u>–</u>	<u>214,581</u>
Results			
Amount excluding impairment loss recognised in respect of property, plant and equipment	(57,182)	(472)	(57,654)
Impairment loss recognised in respect of property, plant and equipment	<u>(50,407)</u>	<u>–</u>	<u>(50,407)</u>
Segment results	<u>(107,589)</u>	<u>(472)</u>	(108,061)
Interest income			1,781
Finance costs			(16,263)
Loss on disposal of a subsidiary			(15,405)
Share of result of a joint venture			(1,033)
Other unallocated income			929
Central administrative costs and other unallocated expenses			(30,481)
Increase in fair value of investment properties			<u>449</u>
Loss before taxation			<u>(168,084)</u>

Segment result represents the profit (loss) incurred by each segment without allocation of central administrative costs and other unallocated expenses, other unallocated income, interest income, finance costs, share of result of an associate, share of result of a joint venture, gain (loss) on disposal of a subsidiary and changes in fair value of investment properties. This is the measure reported to the Group's CODM for the purposes of resource allocation and performance assessment.

4. PROFIT (LOSS) BEFORE TAXATION

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	26,117	57,692
Loss on disposal of property, plant and equipment (included in other income, gains and losses)	41	249
Minimum lease payments in respect of rented premises	50,049	32,834
and after crediting:		
Bank and other interest income	<u>10,869</u>	<u>1,781</u>

5. INCOME TAX (EXPENSE) CREDIT

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income tax (expense) credit comprises:		
Current tax:		
PRC Enterprise Income Tax	(3,073)	(1,840)
Deferred tax:		
Current period	<u>1,188</u>	<u>3,825</u>
Income tax (expense) credit	<u>(1,885)</u>	<u>1,985</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 16.5% for both periods under review.

People's Republic of China ("PRC") enterprise income tax is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC. Taxation arising in other jurisdiction is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

6. GAIN (LOSS) ON DISPOSAL OF A SUBSIDIARY

(a) For the six months ended 30 June 2014 (unaudited)

On 5 November 2013, the Company's wholly-owned subsidiary, Eagle Spirit Holdings Limited ("Eagle Spirit") and an independent third party (the 'Purchaser') entered into a conditional disposal agreement pursuant to which Eagle Spirit agreed to (a) dispose to the Purchaser of 60% of the entire equity interest in and 60% of shareholder's loan due from More Star Limited ("More Star"), a then wholly-owned subsidiary of Eagle Spirit, which acts as an investment holding company and its subsidiary, Fortress State International Limited ("Fortress State"), is principally engaged in the business of holding of a hotel property known as "Rosedale Hotel Kowloon", which is located at No. 86 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon, Hong Kong (the "Property"); (b) procure the Company's indirect wholly-owned subsidiary, Rosedale Hotel Kowloon Limited ('Rosedale Kowloon'), to enter into a lease with Fortress State to lease the Property for its hotel operation for a term of six years ("Master Lease"); (c) grant to the Purchaser a put option relating to the acquisition from Eagle Spirit of all the 60% equity interest in and corresponding shareholder's loan due from More Star (the "Purchaser Put Option") which is exercisable only in the event of a deadlock; and (d) grant to the Purchaser a call option relating to the disposal to the Purchaser of its remaining 40% equity interest in and corresponding shareholder's loan due from More Star (the "Purchaser Call Option") which is exercisable only in the event of a deadlock, for a total cash consideration of approximately HK\$762,893,000.

The Purchaser shall be entitled to exercise the Purchaser Put Option or Purchaser Call Option if a proposal is made by the Purchaser or a director nominated by it in relation to: (a) the leasing or licensing of the Property as a whole to a party other than Rosedale Kowloon or (b) the appointment of any party other than Rosedale Kowloon as operator or manager of the Property, on or after the expiration or earlier termination of the Master Lease to be entered into with Rosedale Kowloon and such proposal is not approved by Eagle Spirit (the occurrence of a deadlock).

The transaction was completed on 14 March 2014.

HK\$'000

Cash consideration received	762,893
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Analysis of assets and liabilities over which control was lost:

HK\$'000

Property, plant and equipment	810,140
Bank balances and cash	50
Trade and other receivables	49
Shareholder's loan (<i>Note</i>)	(763,125)
Trade and other payables	(8,611)
Net assets disposed of	38,503

Note: The shareholder's loan includes the amount due from immediate shareholder before disposal and the repayment of bank borrowing.

Gain on disposal of a subsidiary:

HK\$'000

Cash consideration received	762,893
Net assets disposed of	(38,503)
Sale of 60% of shareholder's loan	(457,875)
Initial recognition at fair value of 40% interest in More Star as an interest in a joint venture (<i>Note</i>)	192,771
Gain on disposal of 60% equity interest in More Star	459,286

Note: The recognition of the Group's retained interest of 40% in More Star was initially measured at its fair value, which was determined with reference to the estimated consideration amount for the disposal of the 40% interest in More Star as agreed between the Group and the potential buyer soon after the date of loss of control of More Star, details of which disposal are set out in Note 11.

Net cash inflow arising on disposal:

HK\$'000

Cash consideration received	762,893
Less: Bank balances and cash disposed of	(50)
	762,843

(b) For the six months ended 30 June 2013 (unaudited)

On 29 April 2013, the Group entered into an agreement with three independent third parties for the sale of its entire interest in Square Inn Hotel Management Limited ("Square Inn Hotel"), a then wholly-owned subsidiary of the Group which holds a lease contract for the operation of a three-star hotel in Macau, at a cash consideration of HK\$52,000,000. The transaction was completed immediately upon signing of the agreement and has resulted in the recognition of a loss of approximately HK\$15,405,000 in profit or loss during the six months ended 30 June 2013.

The assets of Square Inn Hotel at the date of disposal were as follows:

Consideration received:

	<i>HK\$'000</i>
Cash	33,800
Deferred cash consideration	18,200
	<u>52,000</u>

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Property, plant and equipment	55,000
Other assets	12,100
Other receivables	305
	<u>67,405</u>

Loss on disposal of a subsidiary:

	<i>HK\$'000</i>
Consideration received and receivable	52,000
Net assets disposed of	(67,405)
	<u>(15,405)</u>

Net cash inflow arising on disposal:

	<i>HK\$'000</i>
Cash consideration received	33,800
Less: Bank balances and cash disposed of	(1)
	<u>33,799</u>

7. DIVIDEND

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil). On 12 May 2014, the directors of the Company declared a special dividend of HK\$0.10 per share (for the six months ended 30 June 2013: Nil), to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on a date before the completion date of disposal of Eagle Spirit and its subsidiaries or the completion date of disposal of Makerston Limited and its subsidiaries (details of the transactions were disclosed in the Company's announcement on 23 April 2014), whichever is earlier, and the record date will be determined and announced by the Company at a later date.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings (loss) for the purpose of basic earnings (loss) per share		
Earnings (loss) for the period attributable to		
owners of the Company	<u>413,080</u>	<u>(161,647)</u>
	Number of shares	
Number of ordinary shares in issue during the period for the		
purpose of basic earnings (loss) per share for the period	<u>657,675,872</u>	<u>657,675,872</u>

There were no potential ordinary shares outstanding during the six months ended 30 June 2014 and 2013.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$534,000 (for the six months ended 30 June 2013: HK\$58,880,000) on acquisition of property, plant and equipment of which approximately HK\$38,000 was in relation to leasehold improvement (for the six months ended 30 June 2013: HK\$22,865,000) for hotel properties.

Besides, the directors of the Company have also reviewed the recoverability of the carrying amount of the Group's certain hotel properties with reference to their fair values at 30 June 2014, which have been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in relevant locations. The valuation was arrived at the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. No impairment loss was recognised in relation to the impairment testing carried out for the certain hotel properties of the Group as their fair values determined in this manner were estimated to be higher than their carrying amounts.

10. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of investment properties in the PRC at 30 June 2014 has been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited, an independent qualified professional valuer not connected with the Group and a member of the Hong Kong Institute of Surveyors with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at using the comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and location of the subject properties. The resulting decrease in fair value of investment properties of approximately HK\$15,707,000 (increase for the six months ended 30 June 2013: HK\$449,000) has been recognised in profit or loss.

11. INTEREST IN A JOINT VENTURE

	At 30.6.2014 <i>HK\$'000</i> (unaudited)	At 31.12.2013 <i>HK\$'000</i> (audited)
Cost of unlisted investment	192,771	–
Share of post-acquisition profit	954	–
	<u>193,725</u>	<u>–</u>

As disclosed in note 6(a), following the completion of the transaction on 14 March 2014, the Group, through Eagle Spirit, holds 40% interest in More Star and More Star ceased to be a wholly-owned subsidiary of the Group. As the Group is able to exercise joint control over the operation of More Star because major decisions require unanimous consent of both shareholders according to the shareholders' agreement entered into between Eagle Spirit, the purchaser and More Star, More Star is accounted for as a joint venture accordingly.

On 11 April 2014, the Group entered into sale and purchase agreements with ITC Properties Group Limited (the "ITCP"), a company incorporated in Bermuda with limited liability and its shares listed on The Stock Exchange of Hong Kong Limited, in which one of the transactions resulting the disposal of the 40% retained interest in More Star and the details are as follows:

The Company, Easy Vision Holdings Limited (the "ES Vendor"), a direct wholly-owned subsidiary of the Company, Silver Infinite Limited ("Silver Infinite"), a wholly-owned subsidiary of ITCP, and ITCP entered into a sale and purchase agreement (the "Eagle Spirit Agreement"), pursuant to which the ES Vendor has conditionally agreed to sell, and Silver Infinite has conditionally agreed to purchase, the entire issued share capital of Eagle Spirit (which holds 40% interest in More Star (note 6 (a))), a wholly-owned subsidiary of the ES Vendor, and the shareholder's loan due from Eagle Spirit to the ES Vendor, for an aggregate consideration of not exceeding HK\$566 million. Further details of the transaction were disclosed in the Company's announcement dated 23 April 2014. The transaction was yet to be completed as at the date of issuance of this announcement.

12. INTEREST IN AN ASSOCIATE

On 11 April 2014, the Company, Rosedale Hotel Group Limited (“MS Vendor”), a non-wholly owned subsidiary of the Company, Silver Infinite and ITCP entered into a sale and purchase agreement (the “Makerston Agreement”), pursuant to which the MS Vendor has conditionally agreed to sell, and Silver Infinite has conditionally agreed to purchase, the entire issued share capital of Makerston Limited (“Makerston”) (through which the Company holds effective 17.7% interest in Rosedale Hotel Beijing Co., Ltd. (“Rosedale Beijing”) and was accounted for as an associate), a wholly-owned subsidiary of MS Vendor, and the shareholder’s loan due from Makerston to MS Vendor, for an aggregate consideration of not exceeding HK\$324 million.

Further details of this transaction were also disclosed in the Company’s announcement dated 23 April 2014. The transaction was yet to be completed as at the date of issuance of this announcement.

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$8,177,000 (31 December 2013: HK\$13,489,000). The following is an analysis of trade receivables by age, presented based on invoice date which approximate the revenue recognition date.

	At 30.6.2014 HK\$’000 (unaudited)	At 31.12.2013 HK\$’000 (audited)
0 – 30 days	7,635	10,682
31 – 60 days	386	777
61 – 90 days	37	270
Over 90 days	119	1,760
	<u>8,177</u>	<u>13,489</u>

The Group allows an average credit period of 0 to 30 days to its trade customers.

Included in the other receivables at 30 June 2014 was the deferred cash consideration of HK\$665,942,000 to be settled in cash by the investor (“Investor”) pursuant to the capital increase agreement of Rosedale Beijing dated 31 May 2013. Based on the capital increase agreement, the obligation of the Investor to pay the deferred consideration to the Group was secured by the share pledged to the Group of 50% of the equity interest in Rosedale Beijing. During the six months ended 30 June 2014, the partial payment of approximately HK\$99,200,000 was received into an escrow account and the Investor requested for a grace period to pay the remaining balance.

Subsequent to the end of the reporting period, there was additional partial payment of HK\$502,000,000 received by the Group. For the remaining balance of approximately HK\$64,742,000, no impairment is required as the directors of the Company have made an assessment on its recoverability based on the financial background and condition of the Investor and also taken into account for the pledge of 50% of the equity interest in Rosedale Beijing to the Group.

Besides, included in the other receivables balances at 30 June 2014 were prepaid rentals, utilities and other deposits to certain independent third parties in total of HK\$41,458,000 in relation to hotels operating in the PRC (31 December 2013: HK\$31,767,000). In addition, an impairment loss of other receivables of HK\$4,000,000 in respect of the deferred cash consideration from the disposal of a subsidiary mentioned in note 6(b) was recognised in profit or loss as other losses during the current interim period. The recognition of this impairment has taken into account the agreed settlement of HK\$6,000,000 received from the debtors pursuant to a settlement agreement entered into between the Company and the debtors, being purchasers of Square Inn Hotel, subsequent to the end of the reporting period.

14. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As at 31 December 2013

As disclosed in note 6(a), the disposal of the Group's 60% equity interest in More Star and 60% of its shareholder's loan due from More Star was not yet completed as at 31 December 2013. The assets and liabilities attributable to the Group's interest in More Star, which was expected to be sold within twelve months, had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2013. The consideration was expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment had been recognised.

The major classes of assets and liabilities of More Star as at 31 December 2013, which had been presented separately in the consolidated statement of financial position, were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	810,140
Other receivables	52
Pledged bank balances	5,000
Bank balances	<u>22,114</u>
Total assets classified as held for sale	<u><u>837,306</u></u>
Other payables	5,944
Bank borrowings	<u>630,000</u>
Total liabilities associated with assets classified as held for sale	<u><u>635,944</u></u>

Hotel properties of approximately HK\$810,140,000 were pledged as securities for these bank borrowings as at 31 December 2013.

Subsequent to the end of the reporting period of 31 December 2013, the conditions for the disposal of More Star are satisfied including a resolution was passed by the shareholders of the Company for the approval on the disposal agreement at a special general meeting held on 5 March 2014. The transaction was completed on 14 March 2014.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$8,987,000 (31 December 2013: HK\$8,710,000), the following is an analysis of trade payables by age, presented based on invoice date.

	At 30.6.2014 <i>HK\$'000</i> (unaudited)	At 31.12.2013 <i>HK\$'000</i> (audited)
0 – 30 days	4,127	4,428
31 – 60 days	1,650	1,445
61 – 90 days	771	1,514
Over 90 days	2,439	1,323
	<u>8,987</u>	<u>8,710</u>

Included in other payables at 30 June 2014 are balances as follows:

- (a) Deposits received of approximately HK\$12,496,000 (31 December 2013: HK\$14,380,000) from shop tenants in the hotel properties.
- (b) Accrual for direct operating and administrative expenses amounting to approximately HK\$26,656,000 (31 December 2013: HK\$29,858,000) that are expected to be settled within one year.
- (c) Advance receipt from customers of approximately HK\$2,452,000 (31 December 2013: HK\$7,705,000).

16. BORROWINGS

As at 30 June 2014, included in other borrowings were balance of HK\$250,000,000 (31 December 2013: HK\$250,000,000) with a company which is a strategic business partner of the Company.

The borrowings carry interest rate at 2.5% over the Hong Kong Interbank Offered Rate and are repayable in instalments over a period of 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the current interim period, turnover of the Group attained HK\$184.7 million, represented a decrease of 13.9% as compared to HK\$214.6 million for the corresponding period in 2013. The results of the Group for the six months ended 30 June 2014 was a profit of HK\$409.1 million (2013: loss of HK\$166.1 million) which was mainly attributable to gross profit of HK\$53.4 million (2013: HK\$57.7 million); administrative expenses of HK\$88.4 million (2013: HK\$122.1 million); finance costs of HK\$7.4 million (2013: HK\$16.3 million); decrease in fair value of investment properties of HK\$15.7 million (2013: increase of HK\$0.4 million) and the gain on disposal of a subsidiary, More Star of HK\$459.3 million (2013: loss of HK\$15.4 million).

SEGMENT RESULTS

Hotel Operations

The hotel operations of the Group comprise the operation of Rosedale Hotel & Suites, Guangzhou, Times Plaza Hotel, Shenyang, Luoyang Golden Gulf Hotel and two lease-and-operated hotels located in Hong Kong being Rosedale on the Park and Rosedale Hotel Kowloon. Turnover decreased by 13.9% to HK\$184.7 million for the six months ended 30 June 2014 (2013: HK\$214.6 million) consequent to the deemed disposal of the 80% equity interest in Rosedale Beijing completed in November 2013. Segment loss for the reporting period was HK\$8.9 million (2013: HK\$107.6 million). Profit for the reporting period came mainly from the gain on disposal of the 60% equity interest in More Star of HK\$459.3 million completed in March 2014.

Securities Trading

Loss from securities trading for the six months ended 30 June 2014 was HK\$0.2 million (2013: HK\$0.5 million).

MATERIAL ACQUISITIONS AND DISPOSALS

- (a) On 5 November 2013, Eagle Spirit and Shaw Holdings Inc. (“Shaw”) entered into a sale and purchase agreement, pursuant to which Eagle Spirit has conditionally agreed to sell, and Shaw has conditionally agreed to purchase 60% of the issued share capital of and shareholder’s loan to More Star for an aggregate consideration of approximately HK\$762.9 million. More Star was then an indirect wholly-owned subsidiary of the Company and the sole asset of More Star is its investment in Fortress State which is principally engaged in the business of property holding and its principal asset is the ownership of Rosedale Hotel Kowloon (the “Hotel”). Pursuant to the terms of the agreement, Rosedale Kowloon has entered into a master lease with Fortress State on completion of the agreement to lease the Hotel for hotel operation from Fortress State for a term of six (6) years commencing from the first date of the month immediately after completion of the disposal. The rent payable by Rosedale Kowloon to the Fortress State comprises monthly base rent and turnover rent. The disposal was approved by the shareholders of the Company at the special general meeting held on 5 March 2014 and the transaction was completed on 14 March 2014.
- (b) On 11 April 2014, the ES Vendor, Silver Infinite, the Company and ITCP entered into the Eagle Spirit Agreement, pursuant to which the ES Vendor has conditionally agreed to sell, and Silver Infinite has conditionally agreed to purchase, the Group’s entire equity interest in and shareholder’s loan to Eagle Spirit for an aggregate consideration of not exceeding HK\$566 million. Further on 11 April 2014, MS Vendor, Silver Infinite, the Company and ITCP entered into the Makerston Agreement, pursuant to which the MS Vendor has conditionally agreed to sell, and Silver Infinite has conditionally agreed to purchase, the Group’s entire equity interest in and the shareholder’s loan to Makerston, for an aggregate consideration of not exceeding HK\$324 million.

Completion of both the Eagle Spirit Agreement and the Makerston Agreement is conditional upon fulfillment or waiver of certain conditions precedent including the approval by the independent shareholders of the Company on each of the Eagle Spirit Agreement and the Makerston Agreement and the transactions contemplated thereunder at the special general meeting in compliance with the Listing Rules having been obtained.

Completion of the disposals under the Eagle Spirit Agreement and the Makerston Agreement are not inter-conditional on each other and neither of which has completed as at the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

At the end of the reporting period, the Group's total borrowings were as follows:

	At 30.6.2014 <i>HK\$ million</i>	At 31.12.2013 <i>HK\$ million</i>
Borrowings – amount due within one year	10	846
Borrowings – amount due after one year	<u>250</u>	<u>250</u>
	<u>260</u>	<u>1,096</u>

All borrowings bear floating interest rates. During the current reporting period, the Group repaid all bank borrowings out of the proceeds from the deemed disposal of Rosedale Beijing and the disposal of 60% equity interest in More Star.

The gearing ratio as at 30 June 2014, expressed as a percentage of total borrowings to equity attributable to owners of the Company, was 11.0% (at 31 December 2013: 55.5%).

PLEDGE OF ASSETS

At 30 June 2014, the Group did not have any assets pledged to banks and financial institutions for credit facilities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at each of 30 June 2014 and 31 December 2013.

FOREIGN CURRENCY EXPOSURE

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars and Renminbi. During the six months ended 30 June 2014, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

EMPLOYEES

At 30 June 2014, the Group had 935 employees of which 610 employees were stationed in the PRC. Competitive remuneration packages are structured to commensurate with the responsibilities, qualifications, experience and performance of individual employee. The Group also provides training programs, provident fund scheme and medical insurance for its employees.

PROSPECTS

The International Monetary Fund ("IMF") has lowered its growth forecast for the Chinese economy in 2015 from 7.3% to 7% or lower. The IMF sees a steady build-up of debt, particularly by local governments and in the shadow banking sector, as the biggest risk to the economy. Despite concerns about a slowdown in the property market, it said this may only be cyclical and that growth can resume once corrections take place to adjust for overheating. Nevertheless, the IMF still believes the target of 7.5% growth for this year the set by the PRC government, a pace can be achieved.

The number of hotel guest rooms managed by the Group remains the same following the completion of the disposal and lease back of Rosedale Hotel Kowloon in March 2014. Notwithstanding the expected slower economic growth of the PRC in the coming year and the voice from the community to reduce the number of PRC individual visitors to Hong Kong, the Group is still cautiously optimistic on the business of the Group in the coming months since the market demand for four-star level hotels, the core business focus of the Group, is still considerably strong.

The Company shall revisit continuously its business strategy and composition of its hotel chain to cope with the market changes and to explore further income streams so to stay ahead of its competitors and to maximise the wealth of its shareholders.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

AUDIT COMMITTEE

The Audit Committee of the Company (the "Audit Committee") has reviewed with the management and the Company's auditor the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements for the six months ended 30 June 2014. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Poon Kwok Hing, Albert, Mr. Kwok Ka Lap, Alva, and Mr. Sin Chi Fai.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Government Code (the "Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2014, except for the following deviations:

Code Provision A.4.1

Under Code Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive directors of the Company were not appointed for a specific term. However, all directors (including executive and independent non-executive directors) of the Company are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-Law 99 of the Bye-Laws of the Company. As such, the Board considers that this is no less exacting than that in the Code.

Code Provision E.1.2

Under Code Provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Cheung Hon Kit, was unable to attend the annual general meeting held on 30 May 2014 (the “2014 AGM”) as he had other business engagement. Ms. Chan Ling, Eva, the Managing Director, attended and took the chair of the 2014 AGM in accordance with Bye-Law 68 of the Bye-Laws of the Company and answered questions from the shareholders of the Company.

By Order of the Board
Rosedale Hotel Holdings Limited
Cheung Hon Kit
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the Board comprises:–

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)
Ms. Chan Ling, Eva (*Managing Director*)
Mr. Chan Pak Cheung, Natalis

Independent Non-executive Directors:

Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai